

**The Internal Revenue Service
Can Further Improve Its Complaint
Processing Procedures and Systems**

September 1999

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 29, 1999

MEMORANDUM FOR COMMISSIONER ROSSOTTI

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Report - The Internal Revenue Service Can Further
Improve Its Complaint Processing Procedures and Systems

This report presents the results of our review of the Internal Revenue Service's (IRS) processes and systems for identifying and reporting to the Treasury Inspector General for Tax Administration (TIGTA) information on taxpayer complaints, allegations of employee misconduct, and terminations (including terminations mitigated by the Commissioner) under the IRS Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. 685 § 1203 (1998)¹.

In summary, we found that the IRS currently does not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct. Instead, it uses various existing systems and procedures that were implemented prior to the RRA 98. However, the IRS is taking significant actions to improve its complaint processing procedures and systems. While significant actions are being taken, further improvements are needed to ensure that employees are knowledgeable of the complaint processing procedures and are willing to report complaints and allegations of misconduct.

We made recommendations to improve the reliability of the IRS' information concerning taxpayer complaints and allegations of employee misconduct that are provided to TIGTA for inclusion in our Semiannual Report to the Congress. As part of the development of its centralized and integrated complaint information system, we recommended that the IRS ensure that appropriate interfaces exist between the multiple complaint processing systems to facilitate accurate reporting. In addition, we

¹All future references to this law will be noted as "RRA 98."

recommended that the IRS ensure that taxpayer complaints be distinguished from taxpayer inquiries, problems, and issues not of a complaint nature.

We also recommended that after assessing the results of the IRS' RRA 98 § 1203 training, the IRS should identify and provide any additional training needed on the complaint processing procedures (e.g., non-RRA 98 § 1203) and re-emphasize the employee's responsibility for reporting taxpayer complaints and allegations of employee misconduct. In addition, we recommended that the IRS periodically survey its employees to determine the effectiveness of the training, and the employees' willingness to report taxpayer complaints and allegations of employee misconduct.

The response to our draft report indicated agreement with our conclusion that the IRS' complaint processing needs further improvement and noted that a specific action plan will be developed within 60 days of the September 17, 1999, response. The response also noted that the IRS initiated a project to integrate complaint data from its current information systems and will form a Steering Committee to coordinate and oversee this initiative. The IRS' short-term objective is to extract data from current systems, reconcile the data for accuracy, redundancy, etc., and store the resulting information on an integrated database. By the second quarter of Fiscal Year 2000, the IRS intends to develop the architecture that will allow the appropriate electronic interfaces between the current systems to provide the necessary coordination of incoming and outgoing data. In addition, the IRS has plans to expand the use of the IRS intranet to provide the means for employees to obtain information and report allegations of misconduct. Also, the IRS is exploring options to deliver additional training through its continuing education programs and annual ethics briefings. The IRS' comments have been incorporated into the report where appropriate, and the full text of the response is included as an appendix.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Executive Summary

On July 22, 1998, the President signed into law the Internal Revenue Service (IRS) Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. 685 (1998).¹ The RRA 98 requires that the Treasury Inspector General for Tax Administration (TIGTA) report to the Congress certain information concerning taxpayer complaints involving the IRS and its employees. It also requires the termination of IRS employees under specific instances of misconduct (i.e., violations of the IRS Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. § 1203 (1998)). However, authority has been granted to the IRS Commissioner to take an action other than termination if mitigating factors are identified.

Specifically, the RRA 98 requires that the TIGTA must include in each Semiannual Report to the Congress information on taxpayer complaints regarding the IRS, and allegations of IRS employee misconduct. In addition, the RRA 98 requires the TIGTA to report annually to the Congress the number of IRS employee terminations resulting from RRA 98 § 1203 violations, and any terminations mitigated by the Commissioner.

The objective of this audit was to evaluate the adequacy of the IRS' processes and systems for identifying and reporting to the TIGTA information on taxpayer complaints, allegations of employee misconduct, and RRA 98 § 1203 terminations, including information on terminations mitigated by the Commissioner.

Results

The IRS currently does not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct. Instead, it uses various existing systems and procedures that were implemented prior to the RRA 98. Because these systems do not interface or communicate with each other, the IRS cannot ensure that the reporting of taxpayer complaints is not duplicated. However, the IRS is taking significant actions to improve its complaint processing procedures and systems.

While significant actions are being taken, further improvements are needed to ensure that employees are knowledgeable of the complaint processing procedures and are willing to report complaints and allegations of misconduct.

¹All future references to this law will be noted as "RRA 98."

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The Internal Revenue Service Does Not Have an Integrated Complaint Processing System

Various IRS functions and systems are used to identify, track, and report taxpayer complaints and allegations of employee misconduct. Specifically:

- Office of Labor Relations (LR) – Uses its Automated Labor and Employee Relations Tracking System (ALERTS) to track a wide range of labor relations activity, including actions taken based on findings of IRS employee conduct or performance problems. Information on the ALERTS is updated and tracked through the employee relations process until a final decision is reached.
- National Taxpayer Advocate - Uses the Customer Feedback System (CFS) to track allegations of inappropriate behavior by IRS employees. Non-employee specific taxpayer complaints, inquiries, problems, or issues are tracked on the Problem Resolution Office Management Information System (PROMIS). However, the PROMIS does not differentiate between taxpayer complaints, inquiries, problems, or issues.
- Equal Employment Opportunity (EEO) and Diversity - Complaints are initially received by the EEO and Diversity field offices as “pre-complaints” (i.e., informal complaints in which a formal complaint has not been filed with the Treasury Department). The National Director, EEO and Diversity, tracks these “pre-complaints” using a manual reporting process. If not resolved in the “pre-complaint” stage, formal complaints are filed with the Department of Treasury and tracked on the Complaints Tracking System (CTS).

The above functions and systems are responsible for tracking and reporting the vast majority of taxpayer complaints and allegations of employee misconduct received by the IRS. However, some employee misconduct allegations may be tracked on other miscellaneous tracking systems, such as the Commissioner’s Mail Tracking System or field managers’ tracking systems.

Because these systems do not interface or communicate with each other, the IRS cannot ensure that the reporting of taxpayer complaints is not duplicated. In fact, it is likely that a specific taxpayer complaint could be recorded and tracked on more than one system. For example, a taxpayer complaint of inappropriate behavior by an IRS employee may initially be included on the CFS. However, if the taxpayer complaint results in a substantiated allegation of employee misconduct requiring disciplinary action, it will be referred to LR and also tracked on the ALERTS.

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The Internal Revenue Service Is Taking Significant Steps to Improve Its Identifying, Tracking, and Reporting of Taxpayer Complaints and Allegations of Employee Misconduct

The IRS has recently conducted or commissioned several reviews and studies related to its complaint processing procedures and systems. As a result of these studies and reviews and the enactment of the RRA 98, the IRS is making several organizational and procedural changes to its processing, tracking, and reporting of taxpayer complaints and allegations of employee misconduct. For example:

- The establishment of the Commissioner's Complaint Processing and Analysis Group (CCPAG), which is responsible for identifying, managing, tracking, and analyzing complaints received by, or referred to, the Commissioner. In addition, the group's responsibilities include monitoring and coordinating with the current IRS complaint systems; disseminating information on complaint disposition; conducting problem solving inquiries to develop facts pertaining to complaints; and consolidating, validating, and reporting to the TIGTA complaint information required by the RRA 98. Also, as a long-range goal, the group plans to develop a more centralized and integrated complaint information system that will interface with the existing complaint tracking systems.
- The development of detailed procedures for processing allegations relating to potential violations of RRA 98 § 1203, including the development of the "Section 1203 Allegation Referral Form." The IRS has developed and delivered employee training on RRA 98 § 1203 issues. In addition, the IRS has developed additional RRA 98 § 1203 training to provide more detailed instructions on the changes in its processes and procedures, and has provided this training to all employees.
- The establishment of the Commissioner's Review Board to review RRA 98 § 1203 termination decisions and provide mitigation recommendations to the Commissioner.

Further Actions Need to Be Taken to Ensure That Employees Are Knowledgeable of the Complaint Processing Procedures and Are Willing to Report Complaints and Allegations of Misconduct

To determine IRS employees' perspectives on, and knowledge of, procedures for reporting taxpayer complaints and allegations of misconduct, we sent survey letters to a random sample of 910 IRS employees.² An insufficient number of responses were received to allow us to project these results over the entire population of IRS employees. However, based upon the responses received, the survey results indicated that additional

²Survey letters were mailed to 910 IRS employees on March 18, 1999. A total of 313 responses to the survey letters were received through April 30, 1999.

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actions are needed to ensure that all IRS employees understand the IRS complaint processing procedures and are willing to report taxpayer complaints and allegations of employee misconduct.

Of the 313 IRS employees responding to our survey, only 159 (51 percent) indicated that they understood how to report a taxpayer complaint or allegation of IRS employee misconduct. In addition, 58 (19 percent) of the 313 respondents indicated that they were not comfortable reporting a taxpayer complaint or allegation of employee misconduct and, therefore, would not do so. Of the 58 responding that they would not report a taxpayer complaint or allegation of employee misconduct, 12 (21 percent) indicated that they understood the procedures, while the remaining 46 (79 percent) indicated that they either did not understand the procedures or were unsure.

Summary of Recommendations

As part of the development of its centralized and integrated complaint information system under the direction of the CCPAG, we recommend that the IRS ensure that appropriate interfaces exist between the multiple complaint processing systems to facilitate accurate reporting. In addition, we recommend that the IRS ensure that taxpayer complaints be distinguished from taxpayer inquiries, problems, and issues not of a complaint nature.

After assessing the results of its RRA 98 § 1203 training, we recommend that the IRS identify and provide any additional training required on the complaint processing procedures (e.g., non-RRA 98 § 1203). In addition, the IRS should re-emphasize the employee's responsibility for reporting taxpayer complaints and allegations of employee misconduct. We also recommend that the IRS periodically survey its employees to determine the effectiveness of the training, and the employees' willingness to report taxpayer complaints and allegations of employee misconduct.

Management's Response: On September 17, 1999, the Commissioner provided a written response to our report. In his response, the Commissioner agreed with our conclusion that the IRS could further improve its complaint processing procedures and systems and advised us that a specific action plan will be developed within 60 days.

Management's complete response to the report is included as Appendix IV.

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Objective and Scope

The objective of this audit was to evaluate the adequacy of the IRS' processes and systems for identifying and reporting to the TIGTA taxpayer complaints, allegations of employee misconduct, and RRA 98 § 1203 terminations (including those terminations that are mitigated by the Commissioner).

The objective of this audit was to evaluate the adequacy of the Internal Revenue Service's (IRS) processes and systems for identifying and reporting to the Treasury Inspector General for Tax Administration (TIGTA) taxpayer complaints, allegations of employee misconduct, and terminations (including terminations mitigated by the Commissioner) under the IRS Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. 685 § 1203 (1998).¹

Due to resource limitations, we did not validate the accuracy of the information reported to the TIGTA, but this will be part of our next review. The scope of the current review focused on the IRS' complaint processing procedures and systems and did not include complaints and allegations of IRS employee misconduct received directly by the TIGTA or other sources (e.g., Treasury Inspector General). In addition, we did not review the TIGTA's processing of complaints and allegations of IRS employee misconduct.

To accomplish our objective, we interviewed managers and employees, and reviewed procedures in various IRS functions responsible for identifying and reporting complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations.

In addition, to obtain IRS employees' perspectives on, and knowledge of, procedures for reporting taxpayer complaints and allegations of employee misconduct, we surveyed a random sample of 910 IRS employees.

The audit was conducted in the IRS National Office, Midstates Regional Office, Western Regional Office, Memphis Service Center, Austin Service Center, Ogden Service Center, Indiana District, North Texas District, and Pacific-Northwest District.

¹All future references to this law will be noted as "RRA 98."

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We conducted the review between February 1999 and April 1999, using *Government Auditing Standards*.

Our detailed audit objective, scope, and methodology are presented in Appendix I. Major contributors to the report are listed in Appendix II.

Background

The RRA 98 requires the TIGTA to include in each Semiannual Report to the Congress information concerning taxpayer complaints involving the IRS and allegations of IRS employee misconduct.

On July 22, 1998, the President signed into law the IRS Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. 685 (1998). The RRA 98 requires that the TIGTA report to the Congress certain information concerning taxpayer complaints involving the IRS and its employees. It also requires the termination of IRS employees under specific instances of misconduct (i.e., RRA 98 § 1203 violations). However, authority has been granted to the Commissioner to take an action other than termination if mitigating factors are identified.

Specifically, the RRA 98 requires that the TIGTA must include in each Semiannual Report (SAR) to the Congress:

- ♦ The number of taxpayer complaints during the reporting period.
- ♦ The number of employee misconduct and taxpayer abuse allegations received by the IRS or the Inspector General during the period from taxpayers, IRS employees, and other sources.
- ♦ A summary of the status of complaints and allegations involving serious employee misconduct.
- ♦ A summary of the disposition of complaints and allegations involving serious employee misconduct, including the outcome of any Department of Justice action and any monies paid as a settlement of such complaints and allegations.

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In addition, the RRA 98 requires the TIGTA to report annually to the Congress the number of IRS employee terminations resulting from RRA 98 § 1203 violations, and any terminations mitigated by the IRS Commissioner.

Results

The IRS does not have an integrated complaint processing system. However, significant actions are being taken to improve its complaint processing procedures and systems.

The IRS currently does not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct. Instead, it uses various existing systems and procedures that were implemented prior to the RRA 98. Because these systems do not interface or communicate with each other, the IRS cannot ensure that the reporting of taxpayer complaints is not duplicated. However, the IRS is taking significant actions to improve its complaint processing procedures and systems.

While significant actions are being taken, further improvements are needed to ensure that employees are knowledgeable of the complaint processing procedures and are willing to report complaints and allegations of misconduct.

The Internal Revenue Service Does Not Have an Integrated Complaint Processing System

Various systems and functions are used within the IRS for tracking taxpayer complaints and allegations of employee misconduct.

Various IRS functions and systems are used to identify, track, and report taxpayer complaints and allegations of employee misconduct. The primary IRS functions responsible for identifying, tracking, and reporting the

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vast majority of taxpayer complaints and allegations of employee misconduct are:²

- Labor Relations (LR).
- National Taxpayer Advocate.
- National Director, Equal Employment Opportunity (EEO) and Diversity.

Labor Relations

The ALERTS is used to track a wide range of labor relations activity, including information on employee conduct issues.

LR uses its Automated Labor and Employee Relations Tracking System (ALERTS) to track a wide range of labor relations activity, including actions taken based on findings of IRS employee conduct or performance problems. Information on the ALERTS is updated and tracked through the employee relations process until a final decision is reached.

Once on the ALERTS, cases can be tracked in various ways. For example, cases can be tracked by their source, subject or issue, status, and disposition (e.g., employee cleared, disciplinary action taken).

National Taxpayer Advocate

The National Taxpayer Advocate uses the Customer Feedback System (CFS) to track taxpayer complaints of inappropriate behavior by IRS employees, and positive feedback from taxpayers. In addition, the National Taxpayer Advocate uses the Problem Resolution Office Management Information System (PROMIS) to track non-employee specific related taxpayer complaints, inquiries, problems, or systemic issues.

²These functions are responsible for tracking and reporting the vast majority of taxpayer complaints and allegations of employee misconduct received by the IRS. However, some employee misconduct allegations may be tracked on other miscellaneous tracking systems, such as the IRS Commissioner's Mail Tracking System or field managers' tracking systems.

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Customer Feedback System

The CFS is used by the National Taxpayer Advocate to track positive and negative feedback from taxpayers concerning individual IRS employees.

The IRS developed the CFS to track information required by the Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1452 (1996).³ TBOR 2 requires the National Taxpayer Advocate to annually report to the Congress information concerning taxpayer allegations of inappropriate behavior by IRS employees and the disposition of those cases.

The CFS tracks and categorizes taxpayer complaints by behavioral attributes, such as: Discriminatory Treatment; Excessive Aggressiveness/Intimidation; Incompetence; Discourteous, Unprofessional Language; and Telephone Disconnect. When a manager receives feedback (positive or negative) from a taxpayer regarding an IRS employee, the manager completes a Form 10004 (Customer Feedback Record) and forwards it to the local Taxpayer Advocate's office. Under the CFS, only managers may submit a Form 10004. The local Taxpayer Advocate's office then inputs the Form 10004 information into the CFS.

The CFS does not interface with any other IRS complaint processing systems and does not identify cases as potential or actual RRA 98 § 1203 violations.

Problem Resolution Office Management Information System

The National Taxpayer Advocate uses the PROMIS to track non-employee specific taxpayer complaints, inquiries, problems, or systemic issues.

Cases meeting the IRS Problem Resolution Program (PRP) criteria and Application for Taxpayer Assistance Order (ATAO)⁴ cases are controlled and tracked on the PROMIS. These cases include non-employee specific taxpayer complaints, inquiries, problems, or systemic issues. The PROMIS does not differentiate between taxpayer complaints, inquiries, problems, or issues.

The PROMIS does not track individual complaints or allegations against specific IRS employees. In addition,

³All future references to this law will be noted as "TBOR 2."

⁴An ATAO is used by a taxpayer or taxpayer representative to apply for a review of a case when the taxpayer feels they are suffering, or are about to suffer, a significant hardship.

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the broad-based issues captured on the PROMIS do not always represent a complaint. For example, some taxpayers may only wish to have a problem resolved or an inquiry responded to, rather than having a complaint about an IRS process or system.

The Taxpayer Advocate's Annual Report to the Congress includes information and statistics on systemic type issues controlled on the PROMIS.

Equal Employment Opportunity and Diversity

EEO and Diversity related "pre-complaints" are tracked by the National Director, EEO and Diversity, using a manual process.

EEO and diversity related complaints are initially received as "pre-complaints" (i.e., informal complaints in which a formal complaint has not been filed with the Treasury Department) by local IRS offices and are tracked using various local procedures. Periodically, the local EEO and Diversity offices prepare a manual report of complaint activity and forward it to their respective Regional Office or the EEO and Diversity coordinator in the office of the Executive Officer for Service Center Operations (EOSCO). The information is then consolidated and forwarded to the National Director, EEO and Diversity, where it is tracked nationally on a manual system.

If "pre-complaints" are not resolved, formal complaints are filed with the Department of Treasury and tracked on the Treasury Department's Complaint Tracking System (CTS), which EEO and Diversity personnel have access to.

Interface Between Existing IRS Complaint Systems

The potential exists for duplication of reported complaints since the various IRS complaint systems do not interface/communicate with each other.

Since these systems do not interface or communicate with each other, the IRS cannot ensure that the reporting of taxpayer complaints is not duplicated. In fact, it appears likely to us that the same complaint could be recorded and tracked on more than one system. For example, a taxpayer complaint of inappropriate behavior by an IRS employee may initially be reported on Form 10004 and included on the CFS. However, if the taxpayer complaint results in a substantiated allegation of employee misconduct requiring disciplinary action, it will be referred to LR and also tracked on the ALERTS.

The Internal Revenue Service Can Further Improve Its Complaint Processing Procedures and Systems

The Internal Revenue Service Is Taking Significant Steps to Improve Its Identifying, Tracking, and Reporting of Taxpayer Complaints and Allegations of Employee Misconduct

The IRS is making several organizational and procedural changes as a result of several recent reviews/studies related to its complaint processing procedures and systems, as well as the enactment of the RRA 98.

The IRS has recently conducted or commissioned several reviews and studies related to its complaint processing procedures and systems. As a result of these reviews and studies and the enactment of the RRA 98, the IRS is making several organizational and procedural changes to its processing, tracking, and reporting of taxpayer complaints and allegations of employee misconduct.

The Commissioner's Complaint Processing and Analysis Group

The Commissioner established the CCPAG to enhance IRS responsiveness to employee and taxpayer complaints and to improve the integrity of IRS operations.

On April 12, 1999, the Commissioner announced the establishment of the Commissioner's Complaint Processing and Analysis Group (CCPAG), to enhance IRS responsiveness to employee and taxpayer complaints and to improve the integrity of IRS operations. The CCPAG is responsible for identifying, managing, tracking, and analyzing complaints received by, or referred to the Commissioner. In addition, the group's responsibilities include monitoring and coordinating with current IRS complaint systems; operating the Central Adjudication Unit;⁵ disseminating information on complaint disposition; conducting problem solving inquiries to develop facts pertaining to complaints; and consolidating, validating and reporting to the TIGTA complaint information required by the RRA 98.

As a long-range goal, the CCPAG plans to develop a more centralized and integrated complaint information system that will interface with the existing complaint

⁵The Central Adjudication Unit is responsible for case analysis and adjudication advice on misconduct cases involving certain IRS employees and cases involving unauthorized access of taxpayer information. In addition, the Unit is responsible for providing employee relations support for RRA 98 § 1203 matters.

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tracking systems. As currently planned, the complaint information system will include all taxpayer complaints⁶ and allegations of employee misconduct, including unsubstantiated allegations not currently recorded on the ALERTS.

Training and Procedures for Handling Allegations Relating to Potential Violations of RRA 98 § 1203

Detailed procedures for handling allegations relating to potential violations of RRA 98 § 1203 have been developed.

IRS management has developed detailed procedures for handling allegations relating to potential violations of RRA 98 § 1203. These procedures include the development of the “Section 1203 Allegation Referral Form.” This referral form is to be used by employees to refer any potential violation of RRA 98 § 1203. The procedures also address the specific function that the referral form should be sent to for each provision of RRA 98 § 1203. Ultimately, all potential RRA 98 § 1203 violations are to be tracked on the ALERTS.

Training for all employees on RRA 98 § 1203 issues has been provided.

In addition to the detailed procedures, the IRS has developed and delivered employee training on RRA 98 § 1203 issues. The IRS also developed additional RRA 98 § 1203 training to provide more detailed instructions on the changes in its processes and procedures, and has provided this training to all employees.

The Commissioner's Review Board

The Commissioner's Review Board was established for reviewing all proposed RRA 98 § 1203 terminations and for making mitigation recommendations to the Commissioner.

The Commissioner established the Commissioner's Review Board. The Board is led by the Deputy Commissioner (Operations), and includes the Chief, Management and Finance; the National Director, EEO and Diversity; and one Regional Commissioner (on a rotational basis). The Board is responsible for reviewing RRA 98 § 1203 termination decisions and providing mitigation recommendations to the Commissioner.

⁶Excluding non-employee specific taxpayer complaints, inquiries, problems, or systemic issues recorded on PROMIS.

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Recommendations

1. As part of the development of its centralized and integrated complaint information system under the direction of the CCPAG, we recommend that the IRS ensure that appropriate interfaces exist between the multiple complaint processing systems to facilitate accurate reporting.
2. To facilitate the development of a centralized and integrated complaint processing system, we also recommend that the National Director, EEO and Diversity, establish an automated system for tracking EEO “pre-complaints” and require its use.
3. As part of the integration of the IRS’ complaint processing systems, we recommend that the IRS ensure that taxpayer complaints be distinguished from taxpayer inquiries, problems, and issues not of a complaint nature.

Management’s Response (Recommendations 1 – 3):

On September 17, 1999, the Commissioner provided a written response to our report. In his response, the Commissioner agreed with our conclusion that the IRS could further improve its complaint processing procedures and systems and advised us that a specific action plan will be developed within 60 days. The IRS has initiated a project to integrate complaint data from its current information systems and will form a Steering Committee to coordinate and oversee this initiative. The IRS' short-term objective is to extract data from current systems, reconcile the data for accuracy, redundancy, etc., and store the resulting information on an integrated database. By the second quarter of Fiscal Year 2000, the IRS intends to develop the architecture that will allow the appropriate electronic interfaces between the current systems to provide the necessary coordination of incoming and outgoing data.

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Further Actions Need to Be Taken to Ensure That Employees Are Knowledgeable of the Complaint Processing Procedures and Are Willing to Report Complaints and Allegations of Misconduct

The results of our employee survey indicated that additional actions are needed to ensure that all IRS employees understand the IRS complaint processing procedures and are willing to report taxpayer complaints and allegations of employee misconduct.

To determine IRS employees' perspectives on, and knowledge of, procedures for reporting taxpayer complaints and allegations of misconduct, we sent survey letters to a random sample of IRS employees. However, an insufficient number of responses were received to allow us to project these results over the entire population of IRS employees (Table 1).⁷

Table 1 – Survey Letters Mailed and Responses Received

Responses Received	313 (34%)
Returned Undeliverable	18 (2%)
Refused Delivery or Blank Survey Returned	5 (1%)
No Response	574 (63%)
Total Survey Letters Mailed	910 (100%)

Based upon the responses received, the survey results indicated that additional actions are needed to ensure that all IRS employees understand the IRS complaint processing procedures and are willing to report taxpayer complaints and allegations of employee misconduct.

Of the 313 IRS employees responding to our survey, only 159 (51 percent) indicated that they understood how to report a taxpayer complaint or allegation of IRS employee misconduct (Table 2).

⁷Sample size of 455 indicated based on a population of 112,712 employees (includes employees in active, suspension, furlough, and leave without pay status) and sample criteria of 95 percent confidence level, 5 percent expected rate of occurrence, and plus or minus 2 percent precision rate. However, to account for an expected response rate of 50 percent, a random sample of 910 employees was selected. A total of 313 responses were received. As a result, the survey results will not be projected over the entire population but will serve only as an indicator.

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Table 2 - Understanding of Complaint Reporting Process

<i>Question: Do you understand how to report a taxpayer complaint or allegation of IRS employee misconduct?</i>	<i>Responses</i>
<i>Yes</i>	<i>159 (51%)</i>
<i>No</i>	<i>84 (27%)</i>
<i>Unsure</i>	<i>70 (22%)</i>
<i>Total</i>	<i>313 (100%)</i>

Nineteen percent of respondents were not comfortable reporting a taxpayer complaint or allegation of employee misconduct and, therefore, would not do so.

In addition, 58 (19 percent) responded that they were not comfortable reporting a taxpayer complaint or allegation of employee misconduct, and would not do so (Table 3). As a result, the potential exists that all taxpayer complaints and allegations of employee misconduct would not be identified and tracked.

Table 3 – Comfort Level of Reporting

<i>Question: To what extent would you feel comfortable referring a complaint or allegation of employee misconduct to the appropriate level, if one came to your attention?</i>	<i>Responses</i>
<i>Completely comfortable</i>	<i>81 (26%)</i>
<i>Somewhat comfortable</i>	<i>170 (54%)</i>
<i>Not comfortable, would not refer complaint</i>	<i>58 (19%)</i>
<i>Not answered</i>	<i>4 (1%)</i>
<i>Total</i>	<i>313 (100%)</i>

Of the 58 responding that they would not report a taxpayer complaint or allegation of employee misconduct, 12 (21 percent) indicated that they understood the procedures, while the remaining 46 (79 percent) indicated that they either did not understand the procedures or were unsure.

Recommendations

- After assessing the results of its RRA 98 § 1203 training, we recommend that the IRS identify and provide any additional training required on the

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complaint processing procedures (e.g., non-RRA 98 § 1203). In addition, the IRS should re-emphasize the employee's responsibility for reporting taxpayer complaints and allegations of employee misconduct.

5. We recommend that the IRS periodically survey its employees to determine the effectiveness of the training, and employees' willingness to report taxpayer complaints and allegations of employee misconduct.

Management's Response (Recommendations 4 – 5):
On September 17, 1999, the Commissioner provided a written response to our report. In his response, the Commissioner agreed with our conclusion that the IRS could further improve its complaint processing procedures and systems and advised us that a specific action plan will be developed within 60 days. The IRS has plans to expand the use of the IRS intranet to provide the means for employees to obtain information and report allegations of misconduct. Also, the IRS is exploring options to deliver additional training through its continuing education programs and annual ethics briefings.

Conclusion

The IRS does not have an integrated complaint processing system. However, it is taking significant steps to improve its complaint processing procedures and systems.

The IRS currently does not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct. Instead, it uses various existing systems and procedures that were implemented prior to the RRA 98. However, the IRS is taking significant actions to improve its complaint processing procedures and systems.

While significant actions are being taken, further improvements are needed to ensure that all IRS employees are knowledgeable of the complaint processing procedures and are willing to report complaints and allegations of misconduct.

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the adequacy of the Internal Revenue Service's (IRS) processes and systems for identifying and reporting to the Treasury Inspector General for Tax Administration (TIGTA) taxpayer complaints and allegations of employee misconduct and terminations (including terminations mitigated by the Commissioner) under the IRS Restructuring and Reform Act, Pub. L. No. 105-206, 112 Stat. 685 § 1203 (1998).¹

We conducted the following tests to accomplish the objective:

- I. To determine if appropriate information is forwarded to the TIGTA from the IRS, we interviewed appropriate National Office (NO) IRS personnel responsible for processing, tracking, and/or reporting taxpayer complaints and RRA 98 § 1203 employee terminations and mitigations, to identify the specific processes and systems in use.

Specifically, we:

- A. Interviewed Labor Relations (LR) personnel, including personnel responsible for the Automated Labor and Employee Relations Tracking System (ALERTS) and the Centralized Adjudication function, in order to:
 1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by LR.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between the ALERTS and the TIGTA systems. Evaluate the adequacy of the system(s) used.
 3. Determine what efforts have been made (procedures and/or directives issued, training provided, etc.) by LR to educate employees on the process for reporting and/or referring taxpayer complaints and allegations of employee misconduct.
 4. Obtain and review procedures and directives issued by NO LR to the field offices for processing, tracking, and reporting taxpayer complaints and allegations of employee misconduct.

¹All future references to this section of this law will be noted as "RRA 98."

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5. Obtain and review procedures and directives provided by LR pertaining to employee conduct provisions in the RRA 98 § 1203 (via interviews and/or Internet research).
 6. Determine if an operational review process is planned or in process within the LR office to ensure that all taxpayer complaints received are properly reported to the appropriate function.
 7. Identify and evaluate the adequacy of the process in place for ensuring that complaints and allegations of employee misconduct, which are reported to and tracked by LR, are shared with the TIGTA for inclusion in the Semiannual Report (SAR) to the Congress.
 8. Determine and review the process within LR for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 9. Determine how terminations and mitigations under RRA 98 § 1203 are tracked and reported to the TIGTA for inclusion in the SAR to the Congress.
 10. Identify any areas of concern that NO LR personnel have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.
- B. Interviewed personnel in the National Taxpayer Advocate's Office, including personnel responsible for the Customer Feedback System (CFS), in order to:
1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the Taxpayer Advocate's Office.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between the CFS and the TIGTA systems. Evaluate the adequacy of the system(s) used.
 3. Determine what efforts have been made (procedures and/or directives issued, training provided, etc.) by the Taxpayer Advocate's Office to educate employees on the process for reporting and/or referring taxpayer complaints and allegations of employee misconduct.
 4. Obtain and review procedures and directives provided by the National Taxpayer Advocate's Office to the field offices for processing, tracking, and reporting taxpayer complaints and allegations of employee misconduct.

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5. Determine if an operational review process is planned or in process within the Taxpayer Advocate's Office to ensure that all taxpayer complaints received are properly reported to the appropriate function.
 6. Identify and evaluate the adequacy of the process in place for ensuring that complaints and allegations of employee misconduct, which are reported to and tracked by the Taxpayer Advocate's Office, are shared with the TIGTA for inclusion in the SAR to the Congress.
 7. Determine and review the process within the Taxpayer Advocate's Office for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 8. Determine whether the Taxpayer Advocate's Office procedures for reporting taxpayer complaints to the Congress (i.e., the CFS), as required by the Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1452 (1996), duplicates information reported to the TIGTA for inclusion in the TIGTA SAR to the Congress.
 9. Identify any areas of concern that NO Taxpayer Advocate personnel have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.
- C. Interviewed personnel in the NO EEO and Diversity Office, in order to:
1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the EEO Office.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between EEO Office system(s) used to track and report taxpayer complaints and allegations of employee misconduct and the TIGTA systems. Evaluate the adequacy of the systems(s) used.
 3. Determine what efforts have been made (procedures and/or directives issued, training provided, etc.) by the EEO Office to educate employees on the process to be used to report and/or refer EEO related complaints (i.e., potential RRA 98 § 1203 violations) and allegations of employee misconduct.
 4. Obtain and review procedures and directives provided by the NO EEO Office to the EEO field offices for processing, tracking, and reporting taxpayer complaints and allegations of employee misconduct.

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5. Determine if an operational review process is planned or in process within the EEO Office to ensure that all taxpayer complaints received are properly reported to the appropriate function.
 6. Identify and evaluate the adequacy of any process in place for ensuring that EEO related complaints and allegations of employee misconduct, which are reported to and tracked by the EEO Office, are shared with the TIGTA for inclusion in the SAR to the Congress.
 7. Determine and review the process within the EEO Office for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 8. Identify any areas of concern that NO EEO Office personnel have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct, as well as, terminations and mitigations to TIGTA Investigations.
- D. Interviewed personnel in the NO Employee Tax Compliance (ETC) function, in order to:
1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the ETC function.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between the ETC function system(s) and the TIGTA systems. Evaluate the adequacy of the system(s) used.
 3. Identify and evaluate the adequacy of the process in place for ensuring that complaints and allegations of employee misconduct, which are identified by and tracked by the ETC function, are shared with the TIGTA for inclusion in the SAR to the Congress.
 4. Determine and review the process within the ETC function for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 5. Identify any areas of concern that ETC function personnel have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.

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- E. Interviewed personnel in the Commissioner's Complaint Processing and Analysis Group (CCPAG) responsible for complaint processing, tracking, and reporting.
- II. To determine if appropriate information is forwarded to the TIGTA, we interviewed local office (Region, District, and Service Center) IRS personnel responsible for processing, tracking, and/or reporting taxpayer complaints and RRA 98 § 1203 employee terminations and mitigations to identify the specific local processes and systems in place. We conducted site visitations and/or interviewed IRS personnel in two Regional Offices, three District Offices, and three Service Centers.

Specifically, for each local IRS office visited, we:

- A. Interviewed local LR personnel and performed walk-throughs of the processes and procedures within the local LR office for tracking and reporting taxpayer complaints and allegations of employee misconduct, in order to:
 - 1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the local LR office.
 - 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between any National system and/or TIGTA system.
 - 3. Determine what efforts have been made (e.g., local procedures or directives, training provided, etc.) by the local LR office to educate employees on the process to reporting and/or referring taxpayer complaints and allegations of employee misconduct.
 - 4. Obtain and review procedures and directives received from NO LR directing the local offices on how to track and report taxpayer complaints and allegations of employee misconduct.
 - 5. Evaluate the adequacy of the local system (ALERTS) used in LR to track and report taxpayer complaints and allegations of employee misconduct.
 - 6. Obtain and review procedures and directives received from NO LR pertaining to employee conduct provisions in RRA 98 § 1203.
 - 7. Determine if an operational review process is planned or in process within the local LR office to ensure that all taxpayer complaints received are properly reported to the appropriate function.
 - 8. Identify and evaluate the adequacy of the process in place for ensuring that complaints and allegations of employee misconduct, which are reported to

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the local LR office, are shared with the TIGTA for inclusion in the SAR to the Congress.

9. Determine and review the process within the local LR office for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress. (NOTE: These dispositions would include employee misconduct related cases originating in TIGTA Investigations and referred to management for action.)
 10. Determine how terminations and mitigations under RRA 98 § 1203 are tracked and reported to the TIGTA for inclusion in the SAR to the Congress.
 11. Identify any areas of concern that personnel from the local LR offices have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.
- B. Interviewed local Taxpayer Advocate personnel and performed walk-throughs of the processes and procedures within the local Taxpayer Advocate Offices for tracking and reporting taxpayer complaints and allegations of employee misconduct, in order to:
1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the local Taxpayer Advocate's Office.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between any National system and/or TIGTA system.
 3. Determine what efforts have been made (e.g., local procedures or directives, training provided, etc.) by the local Taxpayer Advocate's Office to educate employees on the process for reporting and/or referring taxpayer complaints and allegations of employee misconduct.
 4. Obtain and review procedures and directives received from the National Taxpayer Advocate's Office directing the local Taxpayer Advocate's Office on how to track and report taxpayer complaints and allegations of employee misconduct.
 5. Evaluate the adequacy of the local system (e.g., the CFS) used to track and report complaints and allegations of employee misconduct.

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6. Determine if an operational review process is planned or in process within the local Taxpayer Advocate's Office to ensure that all taxpayer complaints received are properly reported to the appropriate function.
 7. Identify and evaluate the adequacy of any process in place for ensuring that complaints and allegations of employee misconduct, which are reported to the local Taxpayer Advocate's Office, are shared with the TIGTA for inclusion in the SAR to the Congress.
 8. Determine the process within the local Taxpayer Advocate's Office for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 9. Identify any areas of concern that personnel from the local Taxpayer Advocate's Office have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.
- C. Interviewed local EEO and Diversity personnel and performed walk-throughs of the processes and procedures within the local EEO and Diversity office for tracking and reporting taxpayer complaints and allegations of employee misconduct, in order to:
1. Determine the types of complaints and allegations of employee misconduct received, tracked, and reported by the local EEO Office.
 2. Flowchart the process for receiving, tracking, and reporting taxpayer complaints and allegations of employee misconduct. Include in the flowchart any interface between any National system and/or TIGTA system.
 3. Determine what efforts have been made (e.g., local procedures or directives, training provided, etc.) by the local EEO Office to educate employees on the process for reporting and/or referring taxpayer complaints and allegations of employee misconduct.
 4. Obtain and review procedures and directives received from the NO EEO Office directing the local EEO office on how to track and report taxpayer complaints and allegations of employee misconduct.
 5. Identify and evaluate the adequacy of any local system used to track and report complaints and allegations of employee misconduct.
 6. Determine if an operational review process is planned or in process within the local EEO Office to ensure that all complaints received are properly reported to the appropriate function.

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7. Identify and evaluate the adequacy of any process in place for ensuring that complaints and allegations of employee misconduct, which are reported to the local EEO Offices, are shared with the TIGTA for inclusion in the SAR to the Congress.
 8. Determine the process within the local EEO Office for tracking dispositions of complaints and allegations of employee misconduct and for reporting the information to the TIGTA for inclusion in the SAR to the Congress.
 9. Identify any areas of concern that personnel from the local EEO Offices have concerning the IRS' procedures and systems for reporting taxpayer complaints and allegations of employee misconduct and RRA 98 § 1203 employee terminations and mitigations to the TIGTA.
- D. If pertinent, performed site visits and walk-throughs of the processes and procedures within any other appropriate local IRS function that is responsible for taxpayer complaint processing, tracking, and/or reporting.
- E. Determined if the reporting of allegations of employee misconduct is consistent between offices within each function and between functions.
- F. Determined whether any taxpayer complaints and/or allegations of employee misconduct are handled at the local office level and are not reported to the NO and/or the TIGTA.
- III. To obtain IRS employees' perspectives on, and knowledge of, procedures for reporting taxpayer complaints and allegations of employee misconduct, we sent survey letters to a sample of 910 IRS employees. The survey letters included questions on the employees' understanding of the complaint process and their comfort level with elevating/referring complaints appropriately.

Specifically, we:

- A. Selected a random interval sample of 910 IRS employees from fourth quarter 1998 IRS payroll records. We determined our sample size based on a population of 112,712 IRS employees and the following statistical sampling criteria:

Confidence Level:	95%
Expected Rate of Occurrence:	5%
Precision Rate:	+ or - 2%
Selection Technique:	Random interval with random start

This provided us with a statistical sample size of 455. We then doubled the sample size to arrive at a sample of 910 to allow for an expected low response rate. A total of 910 survey letters were sent.

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- B. Prepared and forwarded survey letters to the sampled IRS employees to determine:
1. Their knowledge of the process and procedures for reporting and/or referring a taxpayer complaint or allegation of employee misconduct (e.g., who they should report it to and what forms should be completed).
 2. What training they have received regarding the process for reporting and/or referring complaints and allegations of employee misconduct, including those falling under the provisions of RRA 98 § 1203.
 3. Their comfort level with the process and procedures and whether they have, or would, use the process, as appropriate.
 4. Whether they feel that all such complaints are reported to the appropriate functions.

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Appendix II

Major Contributors to This Report

Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

M. Susan Boehmer, Director

Nancy A. Nakamura, Director

Amy L. Coleman, Audit Manager

Lou J. Tancabel, Audit Manager

Joseph C. Wabnitz, Audit Manager

Cecil A. Begley, Senior Auditor

Jimmie Johnson, Senior Auditor

James M. Traynor, Senior Auditor

Jeff Anderson, Auditor

Olivia H. Jasper, Auditor

Linda W. Screws, Auditor

Marjorie A. Stephenson, Auditor

Tina Wong, Auditor

**The Internal Revenue Service Can Further Improve
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Appendix III

Report Distribution List

Deputy Commissioner Operations C:DO
Chief Management and Finance M
Chief Operations Officer OP
National Taxpayer Advocate C:TA
Assistant Commissioner (Support Services) M:S
Assistant Commissioner (Program Evaluation and Risk Analysis) M:OP
National Director, Equal Employment Opportunity and Diversity C:DO:E
National Director, Commissioner's Complaint Processing and Analysis Group M
National Director for Legislative Affairs CL:LA
Office of Management Controls M:CFO:A:M

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Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

September 17, 1999

OFFICE OF TREASURY
INSPECTOR GENERAL
RECEIVED
199909-48XVMDH
SEP 21 A 9 29

MEMORANDUM FOR DAVID C. WILLIAMS
TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FOR TAX ADMINISTRATION.

FROM: Charles O. Rossotti
Commissioner of Internal Revenue

SUBJECT: Draft Audit Report - The Internal Revenue Service Can
Further Improve Its Complaint Processing Procedures
and Systems

Thank you for the opportunity to review and comment on your draft report titled The Internal Revenue Service (IRS) Can Further Improve Its Complaint Processing Procedures and Systems. The issues raised in the report are important to the credibility of the IRS and the confidence of the public and our employees. We are committed to improving the IRS through our goals of service to each taxpayer, service to all taxpayers, and productivity through a quality work environment.

I agree with your observation that IRS management of complaint processing needs further improvement. I also appreciate your recognition of the steps we are taking to make these improvements. The recent creation of the Commissioner's Complaint Processing and Analysis Group represents a significant commitment of resources and attention to complaint in-take, fact finding, and adjudication of cases where allegations of misconduct are substantiated. This group will also coordinate our efforts to improve the quality of information on complaints. This information will help us ensure prompt and fair resolution of complaints and use complaints as a source of strategic information to improve the integrity of IRS operations.

We have begun our efforts to assemble this strategic information by initiating a project to integrate complaint data from our current information systems. A Steering Committee, with senior representatives from the offices of Management and Finance, the Taxpayer Advocate, Equal Employment Opportunity, Information Systems, and the Treasury Inspector General for Tax Administration, will coordinate and oversee this initiative. The Steering Committee will develop specific requirements for a new system by the end of this calendar year. Once the requirements are approved, we plan to obtain the services of a private contractor to design, develop, and implement the new system.

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Our short-term objective for this initiative is to extract data from current systems, reconcile the data for accuracy, redundancy, etc., and store the resulting information on an integrated database. By the second quarter of FY 2000 we intend to develop the architecture that will allow the appropriate electronic interfaces between the current systems to provide the necessary coordination of incoming and outgoing data. The successful completion of the first phase of the initiative will deliver the information to meet our internal management needs and our external reporting requirements, and set the foundation for our long-term objective of replacing the multiple systems that currently exist with a centralized complaint tracking system.

We are considering various means to re-emphasize the messages that were successfully communicated to our employees in their formal training on the IRS Restructuring and Reform Act. Our plans include expanding the use of the IRS intranet to provide the means for employees to obtain information and report allegations of misconduct. We are also exploring options to deliver additional training through our continuing professional education programs and annual ethics briefings.

In the important and difficult process of changing the IRS to deliver our mission, it is essential to address carefully every serious complaint and allegation of wrongdoing to arrive at our best understanding of the facts and to act accordingly to improve for the future. I believe our commitment to developing a complaint tracking system and improving our communications methods will aid us in this endeavor.

A specific action plan will be developed within the next 60 days. If you have any further questions please call me or Stephen Whitlock, National Director, Commissioner's Complaint Process and Analysis Group, at (202) 622-6383.